Financing Agreement

(Water and Electricity Upgrading Project)

between

CENTRAL AFRICAN REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between CENTRAL AFRICAN REPUBLIC (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to Fourteen Million Three Hundred Thousand Special Drawing Rights (SDR 14,300,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Payment Dates are 15 April and 15 October in each year.

2.05. The Payment Currency is Euro.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project to this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:
(a) The Recipient has adopted the PIM in form and substance acceptable to the Association.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.03 For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE V—REPRESENTATIVE; ADDRESSES

5.01. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Economy, Planning and Cooperation
Rue Martin Luther King
PO Box 696
Bangui
Central African Republic; and

(b) the Recipient’s Electronic Address is:

E-mail:
cabinet@mepc.vca.org

5.02. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Association’s Electronic Address is:

Facsimile:
1-202-477-6391
AGREED as of the Signature Date.

CENTRAL AFRICAN REPUBLIC

By

[Signature]

Authorized Representative

Name: Félix MOLOUA
Title: Ministre
Date: 12 March 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: FRANCK BOISGUETS
Title: Acting Country Director for CAR
Date: February 28, 2018
SCHEDULE 1

Project Description

The objectives of the Project are to enhance SODECA’s and ENERCA’s operational performance and to increase access to improved water supply and electricity in Bangui and selected towns.

The Project consists of the following parts:

Part 1. Water Supply Infrastructure

Support to the Recipient to carry out improvements to the water supply infrastructure in Bangui, Bambari and Berberati through:

1.1 Investments in Bangui to secure the water intake station including the installation of a new backup generator, replacement of electro-mechanical equipment at the water treatment plan and pumping stations, the installation of a remote control and monitoring system, and new bulk meters and the extension of the water distribution network to facilitate up to 3000 new household connections and 15 new public stand posts;

1.2 Rehabilitation of intake and water treatment plan, of the reservoir and of transmission and distribution lines in Bambari to facilitate up to 300 new household connections and 60 new and restored public stand posts;

1.3 Rehabilitation of boreholes and associated power source and disinfection equipment in Berberati and the drilling and equipping of three new boreholes and the extension of the distribution network to facilitate up to 300 new household connections and 40 new and restored public stand posts

1.4 (a) Feasibility and supervision activities for all three sites; and (b) inputs for SODECA’s to ensure the continuation of the operation of water facilities.

Part 2. Energy Infrastructure

Support to the Recipient to ensure the continuity of power supply from Boali 1, improve access and reduce losses in Bangui and restore generative capacity and the distribution networks in Bambari and Berberati through:

2.1 Improved resilience of production at the Boali 1 hydropower plant through (a) the installation of backup equipment, refurbishing existing turbine alternators; (b) the purchase and installation of 500 smart meters and 6000 prepaid meters; (c) the
carrying out of a communication campaign; and (d) the carrying out of targeted investments in distribution to reduce the impact of load shedding in Bangui.

2.2 Restoration of electricity production capacity in Bambari through: (a) the construction of a new hybrid solar-diesel power station; (b) the rehabilitation of the existing distribution network and the construction of a new distribution network with up to 600 connections.

2.3 Improved electricity production in Berberati through: (a) the conversion of existing diesel generators into hybrid solar diesel power stations; (b) rehabilitation of the existing distribution networks, and (c) construction of a new distribution network and new connections including a dedicated distribution line to SODECA’s boreholes.

Part 3. Technical Support to Water and Energy Sectors

Support to the Recipient to provide:

3.1 Technical Assistance to SODECA’s, aimed at improving their operational performance, including feasibility studies for Four Selected Towns, and the financial audit of SODECA’s; and Vehicles and Mopeds for Project;

3.2 Technical Assistance to ENERCA aimed at improving their operational performance, a Dam Safety Study, and the financial audit of ENERCA;

3.3 Support to MDEWR to update and strengthen the energy sector strategy and develop a Least Cost Development Plan and Tariff Study, a Rural Electrification Strategy and Investment Strategy, drafting of the Electricity Law’s application decrees and carrying out of a study on a proposed regional project to bring power generated in Mobayi (Democratic Republic of Congo) to Bambari and Bangassou; and

3.4 Costs of Project Implementation including Studies, PIU Salaries and Operational Costs of the PIU, including the costs of additional PIU staff, and, the financial audit of the Project.

Part 4. Contingent Emergency Response

Support for a disaster response contingency funding mechanism that could be triggered in the event of an Eligible Crisis or Emergency, such as a natural disaster involving a formal declaration of a national or regional state of emergency, or a formal request from the Recipient in the wake of a disaster. In that event, funds from other Parts would be reallocated to this component to facilitate rapid financing of a positive list of goods and services related to Parts 1, 2 and 3, that would still be relevant to the achievement of the PDO.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Recipient shall, throughout Project implementation, maintain the following institutional arrangements, as further described in the PIM.

1. The Recipient shall vest overall responsibility for Project implementation in its Ministry of Development of Energy and Water Resources.

2. Memoranda of Understanding

   (a) The Recipient shall, not later than one (1) month after the Effective Date, conclude, and throughout Project implementation adopt an inter-ministerial decree between MDEWR and MTCA for the purposes of ensuring adequate coordination between the relevant ministries relative to the PIU.

   (b) The Recipient shall, not later than one (1) month after the Effective Date, conclude, and throughout Project implementation maintain a Memorandum of Understanding between the PIU, SODECA's and ENERCA for the purposes of ensuring technical support for the Project from the two utilities and to define their roles and responsibilities relative to the PIU.

3. SC

   (a) The Recipient shall, within one (1) months of the Effective Date, establish, and at all times during Project implementation maintain, the Steering Committee ("SC") with composition and mandate acceptable to the Association.

   (b) The SC shall be chaired by a representative from the Ministry of Development of Energy and Water Resources and include *inter alia* representatives from the Ministry of Planning and Economy, ENERCA and SODECA's.

   (c) The SC shall be responsible for providing overall strategic guidance, general oversight of Project implementation, performance monitoring, cross-sectoral coordination and consistency with sector policy and
strategies, the approval of Annual Work Plans and Budgets, procurement plans, annual audit reports and progress reports.

(d) The SC shall meet at least once every three (3) months.

4. **PIU**

(a) The Recipient shall, at all times during Project implementation, maintain a PIU within the MTCA.

(b) The PIU shall have responsibility for Project implementation, including day to day management of project activities, coordination, fiduciary management, procurement, environmental and social impact mitigation, and the preparation of IFRs and project reports.

(c) The PIU shall, at all times during Project implementation, retain the following staff, *inter alia*, each with terms of reference, qualifications and experience satisfactory to the Association: (i) a coordinator; (ii) a procurement specialist; (iii) a financial management specialist; (iv) a monitoring and evaluation specialist; and (v) a social and environmental specialist.

(d) The PIU shall, not later than two (2) months after the Effective Date, recruit and thereafter retain a financial management specialist with terms of reference, qualifications and experience satisfactory to the Association.

(e) The PIU shall, not later than two (2) months after the Effective Date, have customized accounting software installed.

**B. PIM**

1. The Recipient shall ensure that the Project is carried out in accordance with the Project Implementation Manual ("PIM").

2. The PIM shall contain detailed arrangements, procedures and mechanisms for: (a) institutional coordination and Project implementation; (b) the roles and responsibilities of all involved stakeholders; (c) Project budgeting, accounting, disbursement and financial management; (d) capacity building activities; (e) procurement; (f) safeguards; (g) monitoring, evaluation, reporting and communication; and (h) other such administrative, financial, technical and organizational arrangements and procedures as shall be required for purposes of implementing the Project.

3. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate the PIM, or any provision thereof.
4. In the event of any conflict between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

C. **Annual Work Plans**

1. Each year the Recipient shall prepare a draft annual work plan and budget for the Project (including Training and Operating Costs) for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested; and

2. The Recipient shall furnish to the Association, not later than November 30 of each year, the annual work plans and budgets approved by the Steering Committee for the Association's review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date. Only the activities included in an annual work plan and budget expressly approved by the Association (each an "Annual Work Plan and Budget") are eligible to be financed from the proceeds of the Financing.

3. Training shall be carried out on the basis of Annual Work Plans and Budgets, which shall, *inter alia*, identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection methods and criteria of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.

4. The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.

5. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association's prior approval.

D. **Safeguards**

1. The Recipient shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with the Bank's social and environmental safeguard policy requirements, as well as the Recipient's own environmental and social laws and regulations.

2. The Recipient shall thereafter ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.

3. The Recipient shall ensure that for each activity under the Project of a type for which the ESAP provides that an ESMP or ESIA must be prepared:
(a) such ESMP or ESIA shall, within six (6) months of the Effective Date, be prepared, in form and substance satisfactory to the Association;

(b) such ESMP or ESIA shall be disclosed locally and on the Association’s website before the implementation of such activity, in accordance with the provisions of the ESAP;

(c) the relevant activity is implemented in accordance with the relevant ESIA or ESMP; and

(d) where such activity involves Works, no such Works are commenced until the relevant ESMP or ESIA has been adopted and publicly disclosed.

4. The Recipient shall ensure that for each activity of a type for which the ESAP provides that a RAP must be prepared:

(a) such RAP shall, within six (6) months of the Effective Date, be prepared, in form and substance satisfactory to the Association (including, without limitation to the above, the provision of funds for resettlement compensation when and if required under said RAP);

(b) such RAP shall be disclosed locally and on the Association’s website before the implementation of such activity, in accordance with the provisions of the ESAP;

(c) the relevant activity is implemented in accordance with its RAP; and

(d) where such activity involves Works, no such Works are commenced until said RAP is finalized and publicly disclosed and the Recipient has properly compensated Displaced Persons.

5. The Recipient shall ensure that, not later than six (6) months after the Effective Date, the diagnostic study on dam safety has been completed, in accordance with terms of reference satisfactory to the Association.

6. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any other entity participating in the implementation of the Project to do so.

7. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall regularly collect, compile and submit to the Association, on a semi-annual basis, reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth
implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.

8. In the event that any provision of either the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

E. External Audit

Not later than six (6) months after the Effective Date, the Recipient shall appoint an external auditor with terms of reference, qualifications and experience satisfactory to the Association.

F. Contingency Emergency Response

In order to ensure the effective implementation of Part 4 of the Project, the Recipient shall take the following measures.

1. The Recipient shall:

   (a) prepare and furnish to the Association for its review and approval, an operations manual which shall set forth detailed implementation arrangements for the CER, including: (i) designation of terms of reference for, and resources to be allocated to the entity to be responsible for coordinating and implementing the CER ("Coordinating Authority"); (ii) specific activities which may be included in the CER, Eligible Expenditures required thereunder ("Emergency Expenditures"), and any selection procedures for such inclusion; (iii) financial management arrangements for the CER; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the CER; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management frameworks for the CER, consistent with the Association’s policies on the matter; and (vii) any other arrangements necessary to ensure effective coordination and implementation of the CER;

   (b) afford the Association a reasonable opportunity to review said proposed operations manual;

   (c) promptly adopt such operations manual for the CER as shall have been approved by the Association ("EROM");

   (d) ensure that the CER is carried out in accordance with the EROM; in the event of any inconsistency between the provisions of the CER Operations Manual and this Agreement, the provisions of this
Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the EROM without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the CER, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall not undertake any activities under the CER until the following conditions have been met:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the CER in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all safeguards instruments required for said activities, in accordance with the CER Operations Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one (1) month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consulting services for the Project</td>
<td>13,000,000</td>
<td>100 %</td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>1,300,000</td>
<td>Amount payable pursuant to Section 2.07 (a) of the General Conditions</td>
</tr>
<tr>
<td>(3) Emergency Expenditures under Part 4 of the Project</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>14,300,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date

   (b) under Category (3), unless and until the Association is satisfied that the following conditions have been met:

   (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include such activities in the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

   (ii) the Recipient has adequate staff and resources for the purposes of said activities; and
(iii) the Recipient has adopted the EROM in form, substance and manner acceptable to the Association.

2. The Closing Date is June 30, 2022.
APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

3. “Displaced Persons” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


5. “EROM” means Emergency Response Operational Manual, described in Section 1.F of Schedule 2 to this Agreement.

6. “ESAP” means the environmental and social safeguard action plan designed specifically for the Project, disclosed by the Recipient on November 15, 2017 and at the Association’s external Website on November 17, 2017, providing guidance on the approach to be taken during project implementation for the selection and design of subprojects and the planning of mitigation measures to ensure due diligence, avoid causing harm, and to ensure consistent treatment of social and environmental issues by the Recipient.

7. “ESIA” means an environmental and social impact assessment in form and substance satisfactory to the Association, to assess the potential environmental risks and impacts of activities under the Project, to prepared and disclosed by the Recipient in accordance with the ESAP, once the Project’s exact location is identified, and prior to the start of any works, as the same may be amended from time to time with the prior written approval of the Association.

8. “ESMP” means an environmental and social management plan in form and substance satisfactory to the Association, adopted by the Recipient on the basis of the ESIA, or as a standalone document, containing details of measures appropriate or required to maximize the benefits of the Project, eliminate, offset or mitigate
any adverse environmental and social impacts, or reduce such impacts to acceptable levels, together with budget and costs estimates, sources of funding, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, such environmental management plan.


10. “MDEWR” means Ministère du Développement de l'Energie et des Ressources Hydrauliques in English it is Ministry of Development of Energy and Water Resources

11. “MTCA” means Ministère des Transports et de l’Aviation Civile, the Recipient’s ministry of transport and civil aviation.

12. “Operating Costs” means the reasonable incremental costs of incurred by the Recipient on account of Project implementation, namely: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies; (v) rent and maintenance for office facilities; (vi) utilities and insurances; (vii) travel and per diem costs for technical staff carrying out training, supervisory and quality control activities; (viii) bank fees; and (ix) salaries of support staff for the Project Implementation Unit but excluding salaries of the Recipient’s civil servants.

13. “PIU” means the Infrastructure Project Implementation Unit, a unit established by the Recipient within MTCA with responsibility for day-to-day management, implementation, monitoring and evaluation of the Project as further detailed in the PIM.

14. “Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on November 3, 2017 and on behalf of the Recipient on November 17, 2017.

15. “PIM” means Project Implementation Manual referred to in part B of Section I of Schedule 2 to this Agreement, to be adopted by the recipient.

17. "RAP" means Resettlement Action Plan, the Recipient’s document to be prepared and disclosed in accordance with the Resettlement Policy Framework with respect to the Project, which, inter alia, (i) contains a census survey of Displaced Persons and valuation of assets, (ii) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation, and (iii) contains a timetable and budget for the implementation of such measures.

18. "Safeguards Documents" means collectively or individually the ESAP, ESIA, ESMP, RAPs prepared in connection with the Project, if any.

19. "Selected Towns" means secondary towns to be selected according to selection criteria and procedures outlined in the PIM where feasibility studies will be conducted, such towns shall be proposed by MDEWR and their selection will be subject to the approval of the Association.

20. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.


20. "Training" means the training of persons involved in Project-supported activities, as approved by the Association, such term including scholarships, seminars, workshops, and study tours, and costs associated with such activity including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation.